

TOWNSHIP OF ALLEGAN
ALLEGAN COUNTY, MICHIGAN
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1966, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Allegan Township	County Allegan County
Fiscal Year End March 31, 2006	Opinion Date September 25, 2006	Date Audit Report Submitted to State September 27, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

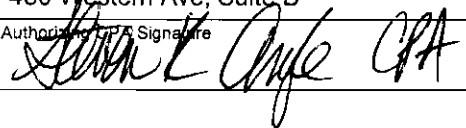
YES
2

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Angle & Steffes, P.C.		Telephone Number 269-686-9050		
Street Address 430 Western Ave, Suite B		City Allegan	State MI	Zip 49010
Authorized CPA Signature 		Printed Name Steven K. Angle, CPA		License Number 14653

ALLEGAN TOWNSHIP
TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2
BASIC FINANCIAL STATEMENTS	
Government Wide Statement of Net Assets	3
Government Wide Statement of Activities	4
Governmental Fund Balance Sheet	5
Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balance	6
Fiduciary Fund - Statement of Net Assets	7
Proprietary Fund - Statement of Net Assets	8
Proprietary Fund - Statement of Revenues, Expenses and Changes in Net Assets	9
Proprietary Fund - Statement of Cash Flows	10
Notes to the Financial Statements	11-22
SUPPLEMENTAL INFORMATION	
Budgetary Comparison Schedule - General Fund	23
Budgetary Comparison Schedule - Road Fund	24
Budgetary Comparison Schedule - Fire Fund	25
REQUIRED ADDITIONAL INFORMATION	
Combining Balance Sheet - Non-Major Governmental Funds	26
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Governmental Funds	27

INDEPENDENT AUDITOR'S REPORT

September 25, 2006

To the Township Board
Township of Allegan
Allegan County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Allegan, Allegan County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Allegan Township, Allegan County, Michigan management. Our responsibility is to express an opinion on these financial statements based on our audit.


We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Allegan as of March 31, 2005 and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis- for State and Local Governments, as of March 31, 2004.

The management's discussion and analysis and budgetary comparison information on pages 2 and 23 through 25 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,


Angle & Steffes, P.C.
Certified Public Accountants

Management's Discussion and Analysis Allegan Township, Allegan County

The Township as a Whole

Much like last year, Allegan Township's financial position is very stable. Growth in residential development and commercial activity has diminished somewhat given the current decline in the State's economic climate yet still continues to grow and increase our tax base. We are currently undergoing a mid-decade census from which we fully expect to realize a significant gain in State Revenue.

Governmental Activities

The Township has two Sewer Districts that provide sewer connection from the City of Allegan to approximately 100 residential and commercial parcels. Close to half of the possible hookups are active at this time resulting in somewhat of a burden on the General Fund. Allegan Township takes in a little more Sewer Revenue with additional hookups as well as realizing smaller payments on the Sewer Bond with each succeeding year. We are very fortunate to have responsible residents who have continued to renew our millages for Public Safety, Roads and Township Operating as well as a one-time four year millage for a new fire truck.

The Township Funds

The Township has five major funds: General, Road, Public Safety, Sewer and Fire Truck. The General Fund supports most of the Township's governmental services as well as supplementing Public Safety and Sewer Funds. Public Safety does have a supporting millage but it isn't enough to fully fund itself. More recently, Allegan Township has combined with the City of Allegan to form a fire district. In doing so, we fully expect to see a cost savings in the long run. Our Sewer Fund is supported, again, by the General Fund in a varying degree because of the way our bond payments are set up. It is an upward and then downward curve over 20 years starting out with smaller payments, gradually increasing to the midpoint of the amortization and then decreasing to more affordable payments. We are in our twelfth year and are beginning to realize substantially smaller payments, in essence, placing the Township in an even better financial situation. We have excellent support in Road Millage Funding at approximately three mills that has continued to be renewed. We have excellent roads in Allegan Township compared to other Townships. A four year, half mill Fire Truck Millage will be ending this coming year.

General Fund Budgetary Highlights

Our State Revenue, again, did not change appreciably, yet our Board remains cautious in regard to overspending. We did reinstate our contribution to the library from \$5,000 back to our original support of \$25,000 due to the fact that we retrieved our voting right back on the Library Board. Our ambulance support is still \$4,000 and our obligation to the Allegan Recreation Department is \$5,000. In addition, we have continued to make our yearly expenditures on recycling and regular maintenance on the Township Hall. Also, what remains on the Township Hall mortgage is becoming very minimal. Township Sewer Debt is becoming less of a burden to the General Fund, yet still is significant. Overall, we are in great shape.

Outlook for the Coming Year

Allegan Township has experienced very little cutback in State Revenue but continues to remain somewhat cautious. We were able to maintain what we have but did decline to move forward with a few expenditures that were not absolutely necessary. We are planning on rebuilding a half mile of road in the coming year but will have the necessary finances to pay for it. Also, we will be seriously looking into leaf removal services for our more densely populated neighborhoods. 2006-2007 is looking to be a very stable financial year for Allegan Township. The Township Board takes their Fiduciary responsibilities very seriously.

Contacting the Township's Management

To review or assess the Township's financial accountability, copies of the financial report may be obtained by contacting the Allegan Township Clerk.

TOWNSHIP OF ALLEGAN
GOVERNMENT WIDE STATEMENT OF NET ASSETS
MARCH 31, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 841,239	\$ 57	\$ 841,296
Investments	0	0	0
Receivables - net	216,777	5,328	222,105
Prepays	19,653	0	19,653
Capital assets - net	753,483	1,144,569	1,898,052
 Total Assets	 1,831,152	 1,149,954	 2,981,106
LIABILITIES			
Accounts payable	9,752	0	9,752
Accrued and other liabilities	38,669	0	38,669
Noncurrent Liabilities			
Due within one year	24,990	50,000	74,990
Due in more than one year	62,615	200,000	262,615
 Total Liabilities	 136,026	 250,000	 386,026
NET ASSETS			
Invested in Capital Assets			
Net of related debt	665,878	894,569	1,560,447
Restricted For			
Public works	566,815	0	566,815
Public safety	180,221	0	180,221
Public sewer	0	5,385	5,385
Unrestricted	282,212	0	282,212
 Total Net Assets	 \$ 1,695,126	 \$ 899,954	 \$ 2,595,080

**TOWNSHIP OF ALLEGAN
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2006**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary Government						
General government	\$ 275,672	\$ 3,795	\$ 0	\$ (271,877)	\$ 0	\$ (271,877)
Public safety	266,837	79,996	0	(186,841)	0	(186,841)
Public works	232,308	0	0	(232,308)	0	(232,308)
Community/Economic development	5,973	0	0	(5,973)	0	(5,973)
Recreation and culture	30,000	0	0	(30,000)	0	(30,000)
Health and welfare	5,000	0	0	(5,000)	0	(5,000)
Debt service	5,442	0	0	(5,442)	0	(5,442)
Total Governmental Activities	821,232	83,791	0	(737,441)	0	(737,441)
Business-Type Activities						
Sewer Fund	46,661	17,764	0	0	(28,897)	0
Total Primary Government	\$ 867,893	\$ 101,555	\$ 0	(737,441)	(28,897)	(766,338)
General Revenues						
Property taxes				571,537	16,003	587,540
State revenues				293,076	0	293,076
Unrestricted investment earnings				0	0	0
Interest & Rent				61,396	267	61,663
Miscellaneous, fines & forfeits				15,360	0	15,360
Transfers				(44,845)	44,845	0
Total General Revenues-Special Items and Transfers				896,524	61,115	957,639
Change in Net Assets				159,083	32,218	191,301
Net Assets-Beginning				1,536,043	867,736	2,403,779
Net Assets-Ending				\$ 1,695,126	\$ 899,954	\$ 2,595,080

The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF ALLEGAN
GOVERNMENTAL FUND BALANCE SHEET
March 31, 2006

	General Fund	Road Fund	Fire Fund	Non-Major Governmental Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 147,328	\$ 461,882	\$ 60,424	\$ 171,604	\$ 841,239
Investments	0	0	0	0	0
Receivables - net	57,498	26,845	4,511	4,453	93,306
Due from other funds	75,750	36,047	4,996	6,678	123,471
Prepays	19,653	0	0	0	19,653
Total Assets	300,229	524,774	69,931	182,735	1,077,669
LIABILITIES					
Accounts payable	9,752	0	0	0	9,752
Due to other funds	8,265	0	0	30,404	38,669
Total Liabilities	18,017	0	0	30,404	48,421
FUND BALANCES					
Reserved for					
Public works	0	524,774	0	42,041	566,815
Public safety	0	0	69,931	110,290	180,221
Unreserved	282,212	0	0	0	282,212
Total Fund Balances	\$ 282,212	\$ 524,774	\$ 69,931	\$ 152,331	\$ 1,029,248
Amounts reported for governmental activities in the Statement of Net Assets are different because:					
Capital assets used in governmental activities are not financial resources and are not reported in the funds.					753,483
Debt principal repayments and proceeds of debt are not reported on the statement of activities.					(87,605)
Net Assets of Governmental Activities					\$ 1,695,126

The Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF ALLEGAN
GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
March 31, 2006

	General Fund	Road Fund	Fire Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Taxes and penalties	\$ 142,938	\$ 321,304	\$ 54,000	\$ 53,295	\$ 571,537
Licenses and permits	0	0	0	36,627	36,627
State aid	288,700	4,376	0	0	293,076
Contributions from Local Units	0	0	0	0	0
Charges for services	3,795	0	43,369	0	47,164
Fines & Forfeits	0	0	0	0	0
Interest and rentals	44,481	10,948	1,132	4,835	61,396
Other revenue	15,090	0	270	0	15,360
Total Revenues	495,004	336,628	98,771	94,757	1,025,160
Expenditures					
Current					
General government	256,042	0	0	0	256,042
Public safety	0	0	186,252	51,596	237,848
Public works	27,383	196,426	0	8,499	232,308
Recreation and cultural	30,000	0	0	0	30,000
Community/Economic development	5,973	0	0	0	5,973
Health & welfare	5,000	0	0	0	5,000
Capital outlay	11,360	0	19,539	0	30,899
Debt Service	0	0	0	33,969	33,969
Total Expenditures	335,758	196,426	205,791	94,064	832,039
Excess of Revenues Over (Under) Expenditures	159,246	140,202	(107,020)	693	193,121
Other Financing Sources (Uses)					
Transfers in	0	0	119,222	33,969	153,191
Transfers (out)	(198,036)	0	0	0	(198,036)
Total Other Financing Sources (Uses)	(198,036)	0	119,222	33,969	(44,845)
Excess of Revenue and Other Sources Over (Under) Expenditures & Other Uses	(38,790)	140,202	12,202	34,662	148,276
Fund Balance - April 1, 2005	321,002	384,572	57,729	117,669	880,972
Fund Balance - March 31, 2006	\$ 282,212	\$ 524,774	\$ 69,931	\$ 152,331	\$ 1,029,248

The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF ALLEGAN
FIDUCIARY FUNDS-STATEMENT OF NET ASSETS
MARCH 31, 2006

Agency Fund
(Property Tax
Collection Fund)

ASSETS

Cash and cash equivalents	\$ 131,197
Due from governments	<u>\$ 19,747</u>
Total Assets	<u>\$ 150,944</u>

LIABILITIES

Accounts payable	\$ 0
Due to other governmental units and schools	65,764
Due to other funds	<u>85,180</u>
Total Liabilities	<u>\$ 150,944</u>

TOWNSHIP OF ALLEGAN
PROPRIETARY FUND STATEMENT OF NET ASSETS
MARCH 31, 2006

	<u>Sewer Fund</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 57
Investments	0
Receivables - net	2,953
Due from other governments	1,997
Due from other funds	<u>378</u>
Total Current Assets	5,385
Noncurrent Assets	
Capital Assets - net	<u>1,144,569</u>
Total Noncurrent Assets	<u>1,144,569</u>
Total Assets	<u>1,149,954</u>
LIABILITIES	
Current Liabilities	
Accounts payable	0
Due to other funds	0
Current portion of noncurrent liabilities	<u>50,000</u>
Total Current Liabilities	<u>50,000</u>
Noncurrent Liabilities	
Bonds, notes and loans payable	<u>200,000</u>
Total Noncurrent Liabilities	<u>200,000</u>
Total Liabilities	<u>250,000</u>
NET ASSETS	
Invested in capital assets - net of related debt	894,569
Restricted for debt service	0
Unrestricted	<u>5,385</u>
Total Net Assets	<u>\$ 899,954</u>

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF ALLEGAN
 PROPRIETARY FUND STATEMENT OF REVENUE, EXPENSES AND
 CHANGES IN NET ASSETS
 MARCH 31, 2006**

	<u>Sewer Fund</u>
Operating Revenues	
Tax revenue	\$ 16,003
Charges for services	17,764
Other	<u>0</u>
Total Operating Revenues	<u>33,767</u>
Operating Expenses	
Public works	<u>28,686</u>
Total Operating Expenses	<u>28,686</u>
Operating Income (Loss)	<u>5,081</u>
Nonoperating Revenues (Expenses)	
Interest and investment revenue	267
Interest expense	<u>(17,975)</u>
Total Nonoperating Revenue (Expense)	<u>(17,708)</u>
Income (Loss) Before Contributions & Transfers In (Out)	(12,627)
Transfers In (Out)	<u>44,845</u>
Change in Net Assets	32,218
Total Net Assets - Beginning April 1, 2005	<u>867,736</u>
Total Net Assets - Ending March 31, 2006	<u><u>\$ 899,954</u></u>

**TOWNSHIP OF ALLEGAN
 PROPRIETARY FUND STATEMENT OF CASH FLOWS
 YEAR ENDED MARCH 31, 2006**

		Sewer
CASH FLOWS FROM OPERATING ACTIVITIES		
Tax collections	\$	15,345
Receipts from customers		17,825
Payments to suppliers		<u>(425)</u>
Net cash provided (used) by operating activities		32,745
CASH ACTIVITIES FROM NON CAPITAL FINANCING ACTIVITIES		
Operating transfers from General Fund		44,845
CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL		
Principal and interest paid on capital debt		(77,975)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest revenue		<u>267</u>
Net Increase (Decrease) in Cash and Cash Equivalents		<u>(118)</u>
Balance - Beginning of year		<u>175</u>
Balance - End of year		<u><u>\$ 57</u></u>
Reconciliation of operating income (loss) to net cash provided (used)		
by operating activities		
Operating income (loss)	\$	5,081
Increase in accounts receivable		(597)
Depreciation		<u>28,261</u>
Net cash provided (used) by operating activities		<u><u>\$ 32,745</u></u>

The Notes to the Financial Statements are an integral part of this statement.

**ALLEGAN TOWNSHIP
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Allegan, Allegan County, Michigan is a general law municipal Township. The Township operates under an elected Board/Supervisor form of government and provides the following services as authorized by its charter: public safety, highways and street, public improvements, cultural recreation, planning and zoning, and administrative services.

The accounting policies of the Township of Allegan conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

A. The Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", these financial statements present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**ALLEGAN TOWNSHIP
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current period. All other revenue items are considered to be available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Road Fund and Fire Fund are Special Revenue Funds of the Township. The Road Fund and Fire Fund are used to account for the proceeds of specific revenue tax millages that are legally restricted to expenditures for specified purposes.

The government reports the following major proprietary fund:

The Sewer Fund accounts for the activities of the sewage collection system.

Additionally, the government reports the following non-major fund types:

The Miner Lake Improvement, Special Assessment (Paving Projects), Building Inspection, Fire Equipment and Debt Service Funds are Special Revenue Funds of the Township. The Miner Lake, Special Assessment, Fire Equipment and Building Inspection Funds are used to account for proceeds of special purpose programs. The Debt Service Fund is used to account for debt repayments of the governmental funds.

**ALLEGAN TOWNSHIP
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule would be charges between the government's enterprise funds and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. The Township of Allegan does have one enterprise fund, the Sewer Fund.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating revenue items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary fund relates to charges to customers for sales and services. The sewer fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Finally, the government reports the following fund types:

The Tax Collection Fund is a Fiduciary Fund accountable for assets held by the Township in a trustee or agency capacity for individuals, private organizations, other governments, and/or other funds.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**ALLEGAN TOWNSHIP
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (continued)

Receivables and Payables-In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied each July for State Education Tax, and on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent in the following September and March of the following respective period, at which time penalties and interest are assessed.

Inventories and Prepaid Items-Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets-Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	30 to 40 years
Building Improvements	15 to 30 years
Roads	10 to 30 years
Sidewalks	20 to 30 years
Fire Equipment	07 to 25 years
Vehicles	03 to 07 years
Office Equipment	05 to 07 years
Computer Equipment	03 to 07 years

**ALLEGAN TOWNSHIP
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (continued)

Compensated Absences (Vacation and Sick Leave)-It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Compensated absences and unpaid vacations were considered but not accrued due to immateriality in amount.

Fund Equity-In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Government-wide financial statements differ from the Governmental fund financial statements for the effect of the inclusion of capital assets and long term debts.

Capitalized Asset Costs	\$	1,452,657
Less Accumulated Depreciation		<u>(699,174)</u>
Capital Assets - net		753,483
Less Short Term debt		(24,990)
Less Long Term debt		<u>(62,615)</u>
Net Adjustments		665,878
 Governmental Fund Balances		 1,029,248
		<hr/>
Net Assets of Governmental Activities	\$	1,695,126

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information-The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Formal budgetary integration is employed as a management control device during the year. These budgets are adopted on a basis consistent with generally accepted accounting principles.
2. The Township Board approves, by ordinance, total budget appropriations only. Any revisions that alter the total appropriations of any fund must be approved by the Township Board, therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis (General Government, Public Safety, etc.).
3. Unused appropriations for all of the above annually budgeted funds lapse at the end of the year.
4. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

**ALLEGAN TOWNSHIP
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENT
MARCH 31, 2006**

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Excess of Expenditures Over Appropriations in Budgeted Funds-During the year, the Local Governmental Unit incurred no expenditures in certain budgeted funds which were in excess of the amounts appropriated.

NOTE 4 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government of federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Local Governmental Unit Board has designated several banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Local Governmental Unit's deposits and investment policy are in accordance with statutory authority.

**ALLEGAN TOWNSHIP
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENT
MARCH 31, 2006**

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

At year-end, the Local Unit's deposits and investments were reported in the basic financial statements in the following categories, which includes fiduciary accounts:

	<u>Governmental Activities</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>	<u>Total Government</u>
Cash & cash equivalents	\$ 841,239	\$57	\$131,196	\$ 972,492

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 972,492
Investments in Securities, Mutual Funds and Similar Vehicles	-
Petty Cash and Cash on Hand	<u>-</u>
Total	<u>\$ 972,492</u>

The book balance of the primary government's deposits is \$972,492 of which \$200,000 is covered by federal depository insurance.

ALLEGAN TOWNSHIP
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 5 - RECEIVABLES

Receivables as of year-end for the government's individual major, nonmajor and business funds, including the applicable allowances for uncollectible accounts, are reported in the Government Wide Statement of Net Assets as follows:

	Major Funds			Non-Major and Other Funds		Government Activities Total	Business Type	Total Primary Government
	General Fund	Road Fund	Fire Fund					
Charges receivable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,295	\$ 2,295
Taxes receivable	9,908	26,845	4,511	4,453	45,716	658	46,374	46,374
State revenues receivable	47,590	0	0	0	47,590	0	47,590	47,590
Due from other funds	75,750	36,047	4,996	6,678	123,471	378	123,849	123,849
Due from other governments	0	0	0	0	0	3,201	3,201	3,201
Less: allowance for retained	0	0	0	0	0	(1,204)	(1,204)	(1,204)
Net Receivables	\$ 133,248	\$ 62,892	\$ 9,507	\$ 11,131	\$ 216,777	\$ 5,328	\$ 222,105	\$ 222,105

**TOWNSHIP OF ALLEGAN
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 6 - CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases & Corrections</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 127,383	0	\$ 0	\$ 127,383
Subtotal	<u>127,383</u>	<u>0</u>	<u>0</u>	<u>127,383</u>
Capital Assets Being Depreciated				
Buildings, additions and improvements	459,949	0	0	459,949
Improvements other than buildings	93,850	3,013	0	96,863
Equipment	132,921	8,347	886	142,154
Furniture and equipment	38,369	0	0	38,369
Fire equipment	569,287	19,539	(886)	587,940
Sewer equipment	<u>1,413,042</u>	<u>0</u>	<u>0</u>	<u>1,413,042</u>
Subtotal	<u>2,707,418</u>	<u>30,899</u>	<u>0</u>	<u>2,738,317</u>
Less Accumulated Depreciation for				
Buildings	126,695	11,624	0	138,319
Improvements other than buildings	39,606	3,755	0	43,361
Equipment	124,809	3,627	1,806	130,242
Furniture and equipment	36,289	624	0	36,913
Fire equipment	323,156	28,989	(1,806)	350,339
Sewer equipment	<u>240,212</u>	<u>28,261</u>	<u>0</u>	<u>268,473</u>
Subtotal	<u>890,767</u>	<u>76,880</u>	<u>0</u>	<u>967,647</u>
Net Capital Assets Being Depreciated	<u>1,816,651</u>	<u>(45,981)</u>	<u>0</u>	<u>1,770,670</u>
Governmental Activities Capital Total				
Capital Assets-Net of Depreciation	<u>\$ 1,944,034</u>	<u>\$ (45,981)</u>	<u>\$ 0</u>	<u>\$ 1,898,053</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General government	\$ 19,630
Public safety	28,989
Public works	0
Sewer	<u>28,261</u>
Total Governmental Activities	<u>\$ 76,880</u>

**ALLEGAN TOWNSHIP
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 7 - INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS

The composition of interfund balances is as follows:

Due To/From Other Funds			
<u>Receivable Fund</u>		<u>Payable Fund</u>	<u>Amount</u>
General	\$ 45,431	Tax	\$ 45,431
General	30,283	Fire equipment	30,283
General	36	Special Assessment	36
Road	27,782	Tax	27,782
Road	8,265	General	8,265
Fire	4,996	Tax	4,996
Sewer	86	Debt Service	86
Fire equipment	5,230	Tax	5,230
Miner Lake	1,448	Tax	1,448
Sewer	293	Tax	293
Total	<u>\$ 123,849</u>		<u>\$ 123,849</u>

Interfund Transfers			
<u>Transfers In</u>		<u>Transfers (Out)</u>	
Sewer	\$ 44,845	General Fund	\$ 44,845
Fire	119,222	General Fund	119,222
Debt Service	33,969	General Fund	33,969
Total	<u>\$ 198,036</u>		<u>\$ 198,036</u>

**ALLEGAN TOWNSHIP
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 8 - SEWER FUND DEBTS

SEWER BONDS: Allegan Township issued \$665,000 of special assessment bonds in August of 1995 to provide funds for the construction of a sewer pipeline to serve residential and commercial developments. The bonds have a stated rate of interest varies from 4.25% to 6.10% and are payable in variable installment amounts of principle and interest on May 1 and interest only on November 1 of each year.

The special assessment bond sewer fund requirements to maturity, are as follows:

<u>Year ending March 31</u>	<u>Principal</u>	<u>Interest</u>
2007	50,000	14,675
2008	25,000	11,875
Thereafter	<u>175,000</u>	<u>42,075</u>
TOTAL	\$250,000	\$ 68,625

During the year ending March 31, 2006, the following changes occurred in sewer debt:

	<u>Balance April 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2006</u>
Sewer bonds	\$310,000	\$ 0	\$60,000	\$250,000

NOTE 9 - EQUIPMENT AND REAL PROPERTY - COMMERCIAL LOANS

Allegan Township borrowed from local banks the following loans to be repaid by tax levies and special assessments:

<u>Purpose</u>	<u>Total Principal and Interest Requirements</u>	
Township Hall	2007	\$18,900
5.4669%, \$1,552.00/month	2008	<u>9,450</u>
matures 2008		\$28,350
Land for Development	2007	10,231
Property, 5.36%,	2008	10,231
\$2,557.86/quarter, matures	Thereafter	<u>52,701</u>
2013		\$ 73,163
Total Debt Requirements		\$101,513

**ALLEGAN TOWNSHIP
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 10 - ALLEGAN FIRE DISTRICT

The Township of Allegan joined, with the City of Allegan, into a Fire Protection & Merger Agreement on February 17, 2006. Effective March 1, 2006, the agreement created the Allegan Fire District which is responsible for and authorized to control all municipal fire protection activities within the City and Township. Each member participates in a cost weighted formula, based on population, taxable value and historical usage on runs.

Any new equipment items purchased by the Fire District will become assets of the Fire District. Any items transferred by Allegan Township for use by the District remain the property of the Township, and are leased for an annual amount of one dollar (\$1.00). The District may lease the Allegan Township fire station for its operations.

During this fiscal year, Allegan Township remitted to the District \$10,323 for it's first month's operational contract, and \$14,467 for its contribution for equipment purchases.

REQUIRED SUPPLEMENTAL & ADDITIONAL INFORMATION

**TOWNSHIP OF ALLEGAN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MARCH 31, 2006**

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Beginning of Year Fund Balance	321,002	321,002	321,002	0
Resources (Inflows)				
Taxes and penalties	135,000	135,000	142,938	7,938
Licenses and permits	0	0	0	0
State aid	280,000	280,000	288,700	8,700
Contributions from local government	0	0	0	0
Charges for services	6,500	6,500	3,795	(2,705)
Interest and rentals	6,800	6,800	44,481	37,681
Miscellaneous revenues	9,650	9,650	15,090	5,440
Transfers from other funds	0	0	0	0
Amounts Available for Appropriation	758,952	758,952	816,006	57,054
Charges to Appropriations (Outflows)				
General Government				
Township board	60,894	62,793	43,617	19,176
Supervisor	36,950	37,417	36,873	544
Elections	10,750	11,128	1,650	9,478
Assessor	25,648	27,084	23,488	3,596
Clerk	39,716	41,008	39,778	1,230
Board of review	2,550	3,108	1,488	1,620
Treasurer	33,768	35,634	33,504	2,130
Building and grounds	76,850	84,943	75,644	9,299
Public Safety	0	0	0	0
Public Works	34,700	37,792	27,383	10,409
Recreation and culture	10,000	30,000	30,000	0
Health and welfare	5,000	5,000	5,000	0
Community/Economic development	19,800	22,997	5,973	17,024
Capital outlay	10,000	13,013	11,360	1,653
Transfers to other funds	171,941	198,036	198,036	0
Total Charges to Appropriations	538,567	609,953	533,794	76,159
Budgetary Fund Balance-March 31, 2006	<u>\$ 220,385</u>	<u>\$ 148,999</u>	<u>\$ 282,212</u>	<u>\$ 133,211</u>

**TOWNSHIP OF ALLEGAN
BUDGETARY COMPARISON SCHEDULE
ROAD FUND
YEAR ENDED MARCH 31, 2006**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Beginning of Year Fund Balance	\$ 384,572	\$ 384,572	\$ 384,572	\$ 0
Resources (Inflows)				
Taxes and penalties	290,000	290,000	321,304	31,304
State aid	0	0	4,376	4,376
Interest	700	700	10,948	10,248
Miscellaneous	0	0	0	0
Transfers In	0	0	0	0
Amounts Available for Appropriation	<u>675,272</u>	<u>675,272</u>	<u>721,200</u>	<u>45,928</u>
Charges to Appropriation (Outflows)				
Public Works				
Roads	<u>199,700</u>	<u>199,700</u>	<u>196,426</u>	<u>3,274</u>
Total Charges to Appropriations	<u>199,700</u>	<u>199,700</u>	<u>196,426</u>	<u>3,274</u>
Budgetary Fund Balance-March 31, 2006	<u>\$ 475,572</u>	<u>\$ 475,572</u>	<u>\$ 524,774</u>	<u>\$ 49,203</u>

**TOWNSHIP OF ALLEGAN
BUDGETARY COMPARISON SCHEDULE
FIRE FUND
YEAR ENDED MARCH 31, 2006**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Beginning of Year Fund Balance	\$ 57,729	\$ 57,729	\$ 57,729	\$ 0
Resources (Inflows)				
Taxes and penalties	44,605	44,605	54,000	9,395
Charges for service	37,800	37,800	43,369	5,569
Interest and rentals	100	100	1,132	1,032
Miscellaneous	0	0	270	270
Transfers from other funds	85,000	119,222	119,222	0
Amounts Available for Appropriation	<u>225,234</u>	<u>259,456</u>	<u>275,722</u>	<u>16,266</u>
Charges to Appropriations (Outflows)				
Public Safety				
Fire	167,007	191,138	186,252	4,886
Capital outlay	<u>16,448</u>	<u>19,539</u>	<u>19,539</u>	<u>0</u>
Total Charges to Appropriations	<u>183,455</u>	<u>210,677</u>	<u>205,791</u>	<u>4,886</u>
Budgetary Fund Balance-March 31, 2006	<u>\$ 41,779</u>	<u>\$ 48,779</u>	<u>\$ 69,931</u>	<u>\$ 21,152</u>

TOWNSHIP OF ALLEGAN
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
March 31, 2006

	Miner Lake Fund	Special Assessment Fund	Building Permit Fund	Debt Service Fund	Fire Equipment Fund	Total Non-Major Governmental Funds
Assets						
Cash and cash equivalents	\$ 40,593	\$ 35	\$ 0	\$ 86	\$ 130,890	\$ 171,604
Investments	0	0	0	0	0	0
Receivables - net	0	0	0	0	4,453	4,453
Due from other funds	1,448	0	0	0	5,230	6,678
Total Assets	\$ 42,041	\$ 35	\$ 0	\$ 86	\$ 140,573	\$ 182,735
Liabilities and Fund Equity						
Liabilities						
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Due to other funds	0	35	0	86	30,283	30,404
Total Liabilities	0	35	0	86	30,283	30,404
Fund Balance						
Reserved	42,041	0	0	0	110,290	152,331
Unreserved	0	0	0	0	0	0
Total Fund Equity	42,041	0	0	0	110,290	152,331
Total Liabilities and Fund Equity	\$ 42,041	\$ 35	\$ 0	\$ 86	\$ 140,573	\$ 182,735

The Notes to the Financial Statements are an integral part of this statement.

ALLEGAN TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2006

	Miner Lake Improvement Fund	Special Assessment Fund	Building Permit Fund	Debt Service Fund	Fire Equipment Fund	Total Non-Major Governmental Funds
Revenues						
Taxes and penalties	\$ 0	\$ 0	\$ 0	\$ 0	\$ 53,295	\$ 53,295
Licenses and permits	0	0	36,627	0	0	36,627
State aid	0	0	0	0	0	0
Other revenue	1,432	0	0	0	3,403	4,835
Total Revenues	1,432	0	36,627	0	56,698	94,757
Expenditures						
Current						
Public works	8,499	0	0	0	0	8,499
Public safety	0	0	36,627	0	14,969	51,596
Debt Service	0	0	0	28,527	0	28,527
Principal	0	0	0	5,442	0	5,442
Interest						
Total Expenditures	8,499	0	36,627	33,969	14,969	94,064
Excess of Revenues Over (Under) Expenditures	(7,067)	0	0	(33,969)	41,729	693
Other Financing Sources (Uses)						
Operating transfers in	0	0	0	33,969	0	33,969
Operating transfers (out)	0	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	33,969	0	33,969
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	(7,067)	0	0	0	41,729	34,662
Fund Balance - April 1, 2005	49,108	0	0	0	68,561	117,669
Fund Balance - March 31, 2006	\$ 42,041	\$ 0	\$ 0	\$ 0	\$ 110,290	\$ 152,331

The Notes to the Financial Statements are an integral part of this statement.

ANGLE & STEFFES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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September 25, 2006

In planning and performing our audit of the Financial Statements of the Township of Allegan for the year ended March 31, 2006, we considered the Township's internal control structure to determine audit procedures for the purpose of expressing an opinion of the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are an opportunity to strengthen internal control and increase operating efficiency. We offer the following items for your consideration.

Tax Collection Accounting

The Tax Collection Fund is slow to remit monies to the respective governments. The 2003 and 2004 Industrial Facilities Tax (IFT) liabilities were remitted to the State in March 2006, which is significantly delinquent. As of the date of this letter, the 2005 IFT liabilities have not been remitted, due July 2006. Other monies are owed to the Township and other governmental units for the final resolution of a tax tribunal. Your attention to these matters is required. The tax collection fund is a fiduciary fund which must pass all funds in a timely manner. Timely remittance to all governmental units is critical and required by law.

Uninsured Bank Deposits

As of the audit date, the balances of cash accounts exceeds the levels of federal deposit insurance. The maximum insurable balance is \$200,000 in each bank, \$100,000 for each demand and savings account types. The Township holds funds on deposit with two banks as of the audit date. Insured demand and savings deposit accounts total \$200,000, while uninsured funds total \$772,491. We recommend that cash balances are spread among several local banks to stay within the insurable limits.

Sewer Fund

The Sewer Fund is the only enterprise, or for-profit, fund of the Township. All sewer related transactions should be deposited into this fund. Sewer taxes collected, hook-up fees and sewer usage charges should be recorded, as well as all related sewer disbursement expenditures including debt payments. Currently hook-up fees, sewer usage and taxes collected are not enough to pay the debt payments. The General Fund must budget and record needed transfers to support this operation, as the Sewer is not independently supporting itself. Clearly, the Board needs to monitor and plan ahead for the Sewer Fund's financial needs, including resources for debt payments and future repairs until the Sewer enterprise becomes self-sufficient. The Sewer's Bond principal requirements are now decreasing, however, they do require cash flow planning. The following details the principal requirements of the Sewer fund:

As paid in	2006	\$ 60,000
Required in	2007	50,000
	2008-2015	25,000 annually

Debt Service Fund

The General Fund and special revenue funds of the Township hold debt with local banks. The debt payments for these loans should be paid and recorded in the Debt Service Fund. (This excludes the enterprise Sewer Fund debt, as is explained above.) Procedures should be implemented to process debt payments in the following manner: 1) Prior to payment due dates, deposit principal and interest requirements for debt payments from the fund that is responsible for the debt into the Debt Service Fund cash account. 2) As debt payments are due, pay them directly from the Debt Service Fund cash account. The Township must budget the transactions in the two affected funds: the transfers out to Debt Service in the originating fund and with the transfers in and debt payments paid out in the Debt Service Fund.

Fire Fund Payroll

The General Fund paid payroll tax liabilities for all W-2 employees, and those transfers supporting the Fire Fund payroll taxes remain unrecorded. The payroll accounting system and procedures was not adjusted so that the Fire Fund cash balance was accountable for all fire payroll related disbursements. We are aware that the Township is now a member of the new fire board, and will not record fire employee payroll in the coming fiscal year.

Building Permit Fund

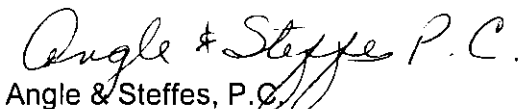
A separate special revenue fund is recommended to account for all building permit activity. Revenues would be posted to a separate building permit cash account and all expenses paid from this separate account. Allocation of deputy clerk wages and any other expense relating to building permit fund activity that are paid by the General Fund should occur in order to insure a proper accounting for this fund.

General

In general the internal control systems of the Township are good and functioning properly. The comments noted above will help the Township strengthen the existing controls and will help provide greater accountability to residents of the Township.

We greatly appreciate the help and cooperation given us by all the Township employees and officials.

Respectfully submitted,



Angle & Steffes, P.C.
Certified Public Accountants